

## **IC 4-4-28**

### **Chapter 28. Individual Development Accounts**

#### **IC 4-4-28-1**

##### **"Account" defined**

Sec. 1. As used in this chapter, "account" refers to an individual development account.

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-2**

##### **"Community development corporation" defined**

Sec. 2. As used in this chapter, "community development corporation" means a private, nonprofit corporation:

- (1) whose board of directors consists primarily of community representatives and business, civic, and community leaders; and
- (2) whose principal purpose includes the provision of:

- (A) housing;
- (B) community based economic development projects; or
- (C) social services;

that primarily benefit low income individuals and communities.

*As added by P.L.15-1997, SEC.1. Amended by P.L.4-1999, SEC.1.*

#### **IC 4-4-28-3**

##### **"Financial institution" defined**

Sec. 3. As used in this chapter, "financial institution" means a bank, savings association, credit union, or any other institution regulated under IC 28 or federal law.

*As added by P.L.15-1997, SEC.1. Amended by P.L.4-1999, SEC.2.*

#### **IC 4-4-28-4**

##### **"Fund" defined**

Sec. 4. As used in this chapter, "fund" refers to an individual development account fund established by a community development corporation under section 13 of this chapter.

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-5**

##### **"Individual development account" defined**

Sec. 5. As used in this chapter, "individual development account" means an account in a financial institution administered by a community development corporation that allows a qualifying individual to deposit money:

- (1) to be matched by the state, financial institutions, corporations, and other entities; and
- (2) that will be used by the qualifying individual for one (1) or more of the following:

- (A) To pay for costs (including tuition, laboratory costs, books, computer costs, and other costs associated with attendance) at an accredited institution of higher education or a vocational school for the individual or for a dependent

of the individual.

(B) To pay for the costs (including tuition, laboratory costs, books, computer costs, and other costs) associated with an accredited or a licensed training program that may lead to employment for the individual or for a dependent of the individual.

(C) To purchase a primary residence for the individual or for a dependent of the individual or to reduce the principal amount owed on a primary residence that was purchased by the individual or a dependent of the individual with money from an individual development account.

(D) To begin or to purchase part or all of a business or to expand an existing small business.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.4.*

#### **IC 4-4-28-6**

##### **"Qualifying individual" defined**

Sec. 6. As used in this chapter, "qualifying individual" means an individual or a member of an individual's household who may establish an individual development account because the individual:

(1) receives or is a member of a household that receives assistance under IC 12-14-2; or

(2) is a member of a household with an annual household income that is less than one hundred seventy-five percent (175%) of the federal income poverty level.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.5.*

#### **IC 4-4-28-7**

##### **Establishing account; beneficiaries; limits**

Sec. 7. (a) A qualifying individual, including an individual who:

(1) established an individual development account under this chapter before July 1, 2001; and

(2) held the account described in subdivision (1) for less than four (4) years;

may establish an account by applying at a community development corporation after June 30, 2001.

(b) At the time of establishing an account under this section, the qualifying individual must name a beneficiary to replace the qualifying individual as the holder of the account if the qualifying individual dies. If the beneficiary:

(1) is a member of the qualifying individual's family, all funds in the account remain in the account; and

(2) is not a member of the qualifying individual's family, all funds in the account provided by the state revert to the state.

The qualifying individual may change the name of the beneficiary at the qualifying individual's discretion. A beneficiary who becomes the holder of an account under this subsection is subject to this chapter and rules adopted under this chapter regarding withdrawals from the account.

(c) Only one (1) member of a qualifying individual's household

may establish an account.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.6.*

#### **IC 4-4-28-8**

##### **Community development corporation duties**

Sec. 8. A community development corporation shall do the following:

- (1) Determine whether an individual who wants to establish an account is a qualifying individual.
- (2) Administer, through a financial institution, and act as trustee for each account established through the community development corporation.
- (3) Approve or deny an individual's request to make a withdrawal from the individual's account.
- (4) Provide or arrange for training in money management, budgeting, and related topics for each individual who establishes an account.

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-9**

##### **Account deposits**

Sec. 9. (a) An individual may deposit money from the individual's earned income into the individual's account.

(b) An individual may deposit an unlimited amount of money into the individual's account. However, only three hundred dollars (\$300) annually is eligible for a state deposit as provided in section 12 of this chapter.

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-10**

##### **Number of accounts limited**

Sec. 10. (a) Not more than eight hundred (800) accounts may be established in the state each year.

(b) A community development corporation shall use money that is in an individual development account fund established under section 13 of this chapter to allow a qualified individual on a waiting list maintained by the community development corporation to establish an account.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.7.*

#### **IC 4-4-28-11**

##### **Annual reports to department of commerce**

Sec. 11. (a) Each community development corporation shall annually provide the department of commerce with information needed to determine:

- (1) the number of accounts administered by the community development corporation;
- (2) the length of time each account under subdivision (1) has been established; and
- (3) the amount of money an individual has deposited into each

account under subdivision (1) during the preceding twelve (12) months.

(b) The department of commerce shall use the information provided under subsection (a) to deposit the correct amount of money into each account as provided in section 12 of this chapter.

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-12**

##### **Deposits to accounts; matching contributions; use of federal block grant money**

Sec. 12. (a) The department of commerce shall allocate, for each account that has been established after June 30, 2001, for not more than four (4) years, including any time in which an individual held an individual development account under this chapter before July 1, 2001, three dollars (\$3) for each one dollar (\$1) an individual deposited into the individual's account during the preceding twelve (12) months. However, the department's allocation under this subsection may not exceed nine hundred dollars (\$900) for each account described in this subsection.

(b) Not later than June 30 of each year, the department of commerce shall deposit into each account established under this chapter the appropriate amount of money determined under this section. However, if the individual deposits the maximum amount allowed under this chapter on or before December 31 of each year, the individual may request in writing that the department of commerce allocate and deposit the matched funds under subsection (a) into the individual's account not later than forty-five (45) days after the department of commerce receives the written request.

(c) Money from a federal block grant program under Title IV-A of the federal Social Security Act may be used by the state to provide money under this section for deposit into an account held by an individual who receives assistance under IC 12-14-2.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.8.*

#### **IC 4-4-28-13**

##### **Individual development account fund**

Sec. 13. (a) Each community development corporation shall establish an individual development account fund to provide money to be used to finance additional accounts to be administered by the community development corporation under this chapter and to help pay for the community development corporation's expenses related to the administration of accounts.

(b) Each community development corporation shall encourage individuals, financial institutions, corporations, and other entities to contribute to the fund. A contributor to the fund may qualify for a tax credit as provided under IC 6-3.1-18.

(c) Each community development corporation may use up to twenty percent (20%) of the first one hundred thousand dollars (\$100,000) deposited each calendar year in the fund under subsection (b) to help pay for the community development corporation's

expenses related to the administration of accounts established under this chapter. All deposits in the fund under subsection (b) of more than one hundred thousand dollars (\$100,000) during each calendar year may be used only to fund accounts administered by the community development corporation under this chapter.

(d) A community development corporation may allow an individual to establish a new account as adequate funding becomes available.

(e) Only money from the fund may be used to make the deposit described in subsection (f) into an account established under this section.

(f) The community development corporation shall annually deposit at least three dollars (\$3) into each account for each one dollar (\$1) an individual has deposited into the individual's account as of June 30.

(g) A community development corporation may not allow a qualifying individual to establish an account if the community development corporation does not have adequate funds to deposit into the account under subsection (f).

*As added by P.L.15-1997, SEC.1. Amended by P.L.4-1999, SEC.3.*

#### **IC 4-4-28-14**

##### **Interest rate; tax exemption**

Sec. 14. (a) An account must earn interest at a rate that is competitive in the county where the account is located.

(b) Interest earned on an account during a taxable year is not subject to taxation under IC 6-3 or IC 6-5.5.

*As added by P.L.15-1997, SEC.1. Amended by P.L.192-2002(ss), SEC.2.*

#### **IC 4-4-28-15**

##### **Withdrawal of money from account; appeal of denial**

Sec. 15. (a) An individual must request and receive authorization from the community development corporation that administers the individual's account before withdrawing money from the account for any purpose.

(b) An individual who is denied authorization to withdraw money under subsection (a) may appeal the community development corporation's decision to the department of commerce under rules adopted by the department of commerce under IC 4-22-2.

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-16**

##### **Withdrawn money tax exempt; business plan required; rollovers**

Sec. 16. (a) Money withdrawn from an individual's account is not subject to taxation under IC 6-3-1 through IC 6-3-7 if the money is used for at least one (1) of the following:

- (1) To pay for costs (including tuition, laboratory costs, books, computer costs, and other costs) at an accredited institution of higher education or a vocational school for the individual or for

a dependent of the individual.

(2) To pay for the costs (including tuition, laboratory costs, books, computer costs, and other costs) associated with an accredited or a licensed training program that may lead to employment for the individual or for a dependent of the individual.

(3) To purchase a primary residence for the individual or for a dependent of the individual or to reduce the principal amount owed on a primary residence that was purchased by the individual or a dependent of the individual with money from an individual development account.

(4) To begin or to purchase part or all of a business or to expand an existing small business.

(b) At the time of requesting authorization under section 15 of this chapter to withdraw money from an individual's account under subsection (a)(4), the individual must provide the community development corporation with a business plan that:

(1) is approved by:

(A) a financial institution; or

(B) a nonprofit loan fund that has demonstrated fiduciary stability;

(2) includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and

(3) may require the individual to obtain the assistance of an experienced business advisor.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.9; P.L.135-2002, SEC.1.*

#### **IC 4-4-28-17**

##### **Money in account not considered assets**

Sec. 17. Money in an account may not be considered:

(1) an asset of an individual when determining the individual's eligibility for assistance under IC 12-14; or

(2) a countable asset (as defined in IC 12-7-2-44.6).

*As added by P.L.15-1997, SEC.1.*

#### **IC 4-4-28-18**

##### **Annual evaluation of accounts; report**

Sec. 18. (a) Each community development corporation shall annually:

(1) evaluate the individual development accounts administered by the community development corporation; and

(2) submit a report containing the evaluation information to the department of commerce.

(b) Two (2) or more community development corporations may work together in carrying out the purposes of this chapter.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.10.*

Repealed

*(Repealed by P.L.289-2001, SEC.15.)*

**IC 4-4-28-20**

**Repealed**

*(Repealed by P.L.289-2001, SEC.15.)*

**IC 4-4-28-21**

**Rules; adoption**

Sec. 21. The department of commerce may adopt rules under IC 4-22-2 to implement this chapter.

*As added by P.L.15-1997, SEC.1. Amended by P.L.289-2001, SEC.11.*